

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

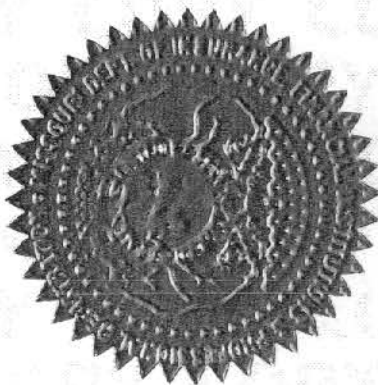
RE: Examination Report of Community Health Plan Insurance Company as of December 31, 2007

ORDER

After full consideration and review of the report of the financial examination of Community Health Plan Insurance Company for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Community Health Plan Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this August 28, 2008.



Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
ASSOCIATION FINANCIAL EXAMINATION
COMMUNITY HEALTH PLAN INSURANCE COMPANY

AS OF
December 31, 2007

FILED
SEP 08 2008
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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St. Joseph, Missouri
July 24, 2008

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Ladies and Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Community Health Plan Insurance Company

hereinafter referred to as such, as the "Company" or as "CHPIC." Its administrative office is located at 137 North Belt, St. Joseph, Missouri 64506, telephone number (816) 271-1247. This examination began on March 3, 2008 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior comprehensive financial examination of Community Health Plan Insurance Company was made as of December 31, 2004 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination of the Company covers the period from January 1, 2005 through December 31, 2007 and has been conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination was conducted concurrently with the examination of the Company's direct parent, Community Health Plan (CHP).

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

The Company's independent auditor is BKD, LLP of Kansas City, Missouri. The audited statutory financial statements for 2007 had not been issued as of the end of our examination fieldwork; therefore, the examiners relied upon information supplied by BKD, LLP for its audit covering the period from January 1, 2006 through December 31, 2006. Information relied upon included fraud questionnaires and narrative descriptions of processes and controls. The examiners also relied upon bank and investments confirmations supplied by BKD, LLP for their audit of the 2007 statutory financial statements.

Comments-Previous Examination

Listed below are notes, comments and recommendations of the previous examination report dated as of December 31, 2004 and the subsequent response or action taken by the Company.

Management

Comment: Directors were not specifically appointed for CHPIC as required by the Company's Articles of Incorporation. In addition, committee members and officers were not specifically appointed for CHPIC. Although CHPIC indicated it intended to utilize the committees and officers of CHP, this arrangement was not stated in CHPIC's Articles of Incorporation or Bylaws. CHPIC was reminded that it and CHP are separate legal entities; therefore, the appointment of its directors should have been specifically and clearly documented in the minutes of the annual shareholder meeting. In addition, if CHPIC intended to utilize the committees and officers of CHP, then CHPIC's Articles of Incorporation and/or Bylaws should have been changed accordingly.

Company Response: The Company affirms the intention of having officers and committee members of CHP serve in concurrent duplicative capacity for CHPIC. The Company will ensure that directors, officers and committee members are specifically appointed at the annual meeting.

Current Finding: CHP and CHPIC share the same directors, officers and committees, which are appointed for both entities by the Board of Directors of Heartland Health (Heartland). However, as Heartland is no longer the direct owner of CHPIC, it appears that the Company's Articles of Incorporation and Bylaws should be revised to allow the appointments to continue to be made by Heartland. See the Management section of this report for recommendations.

Corporate Records

Comment: The Company was only able to provide four sets of Board of Director meeting minutes specific to CHPIC. The Company was also unable to provide any annual shareholder meeting minutes specific to CHPIC. It was recommended the Company ensure that it either maintained separate meeting minutes or if only one meeting was held on behalf of both CHPIC and CHP, the minutes clearly stated they applied to both companies.

Company Response: The Company has always intended to properly record the actions of its directors and committees and to properly document annual meetings. Both CHP and CHPIC will take steps to ensure that an annual meeting of shareholders is properly documented. In addition, future minutes will be recorded to properly reflect the activities of the synonymous boards and committees.

Current Finding: Meeting minutes clearly indicated they related to both CHP and CHPIC.

Acquisitions, Mergers and Major Corporate Events

Comment: The sale of CHPIC to Heartland was approved by the DIFP on condition that Heartland contribute \$1.5 million in capital to CHPIC immediately upon purchase and an additional \$50,000 per month for ten months for a total investment of \$2 million. Heartland included in the amount it reported as contributed capital \$45,000 it paid above the book value of CHPIC at the time of purchase, and this amount was reported as a non-admitted asset on the books of CHPIC. The recording of the \$45,000 by CHPIC was not in accordance with GAAP or statutory accounting, and therefore, the amount should be removed. Furthermore, CHPIC was directed to ensure that Heartland contribute an additional \$45,000 in cash to comply with the original intent of the DIFP approval.

Company Response: The intangible asset will be removed from CHPIC's books and an additional \$45,000 in cash will be requested from Heartland. However, CHPIC and Heartland believe both parties acted in good faith and fulfilled the original intent of the DIFP approval. Therefore, CHPIC and Heartland do not agree an additional \$45,000 should be required and respectfully request that the DIFP waive this directive.

Current Finding: The \$45,000 intangible asset was removed from CHPIC's books and the DIFP agreed to the waiver of the additional capital contribution.

Intercompany Transactions

Comment: The Company was directed to obtain an intercompany agreement with Heartland governing the payment and reimbursement of accounts payable. Furthermore, the agreement was to be filed for approval with the DIFP in accordance with Section 382.195 RSMo (Prohibited transactions, exceptions).

Company Response: CHPIC and Heartland will draft an agreement addressing the payment and reimbursement of accounts payable and file it for approval with the DIFP.

Current Finding: CHPIC entered into an Administrative Services Allocation Agreement with Heartland Regional Medical Center (HRMC) effective January 1, 2006 which governs accounts payable. The agreement was filed for approval with the DIFP.

Fidelity Bond

Comment: The fidelity coverage for Heartland and its subsidiaries on a consolidated basis did not meet the amount suggested in guidelines promulgated by the NAIC. It was recommended the Company ensure that if the crime coverage continued to be purchased on a consolidated basis, the amount be increased to meet the suggested NAIC amounts, or CHPIC should obtain crime coverage sufficient to meet the NAIC guidelines as a separate entity.

Company Response: CHPIC and Heartland will review the fidelity bond coverage for adequacy.

Current Finding: The fidelity coverage for Heartland and its subsidiaries including CHPIC was found to be within the NAIC guidelines.

Annual Statement Blank

Comment: The Company meets the requirements of the NAIC Annual Statement Instructions for filing the Health Blank. It appears that filing the Health Blank would better facilitate the disclosure of health-oriented information regarding the Company's business. Therefore, it was recommended CHPIC consider using the Health Blank for future filing periods.

Company Response: CHPIC will begin using the Health Blank.

Current Finding: The Company started using the Health Blank beginning with its March 31, 2006 Quarterly Statement.

Custodial Agreement

Comment: The Company's custodial agreement with US Bank did not contain all of the safeguard provisions specified in Part 1, Section IV of the NAIC Financial Condition Examiners Handbook. It was recommended the Company amend or restate the custodial agreement so that it contained all of the NAIC specified safeguard provisions. Until such time as the agreement was brought into compliance with NAIC guidelines, it was to be disclosed in General Interrogatory 23.02 of the Annual Statement relating to custodial agreements which do not comply with NAIC guidelines.

Company Response: CHPIC has contacted US Bank and requested an amendment to bring the agreement into compliance with the NAIC guidelines.

Current Finding: The custodial agreement was revised to contain the safeguards and provisions specified in the NAIC guidelines.

HISTORY

General

The Company was incorporated January 1, 1981, under Chapter 376 RSMo (Life Accident and Health Insurance) under the name Contemporary American Life, Inc. In 1984, the Company was purchased by A.G. Edwards, Inc. and its name was changed to A.G. Edwards Life Insurance Company. The Company was held by A.G. Edwards, Inc. as a shell until March 17, 2003, at which time it was sold to Heartland Health and its name was changed to its current form, Community Health Plan Insurance Company. Effective October 1, 2005, Heartland transferred its ownership interest in CHPIC to its wholly owned HMO subsidiary, Community Health Plan (CHP). Heartland Health remains the ultimate controlling entity of CHP and CHPIC.

Capital Stock

The Company has 10,000 shares of authorized and outstanding common stock as of December 31, 2007. The common stock has a par value of \$60 per share for a total par value of \$600,000. All common stock was owned in its entirety by Community Health Plan.

Dividends

There have been no dividends or cash disbursements made or declared during the period under examination.

Management

The management of CHPIC is vested in a Board of Directors appointed by Heartland Health. The Company's Bylaws specify that the number of directors shall be eleven. The directors of CHPIC elected and serving as of December 31, 2007 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Theodore Kent Allison St. Joseph, Missouri	Executive Director St. Joseph Area Chamber of Commerce
Alan Wayne Brewer, DO Faucet, Missouri	Practicing Physician Heartland Health
Lowell Charles Kruse St. Joseph, Missouri	President & Chief Executive Officer Heartland Health
Jennifer Lynn Kneib St. Joseph, Missouri	Manager First Horizon Home Loans
Robert Edwin Loch, III St. Joseph, Missouri	Treasurer Loch Sand and Construction

Matthew Levi Lukens, MD St. Joseph, Missouri	Practicing Physician Heartland Health
Patrick Charles Dillon * St. Joseph, Missouri	Owner The Dillon Company
Jane Lynn Schwabe, MD St. Joseph, Missouri	Practicing Physician Heartland Health
Brian Andrew Bradley St. Joseph, Missouri	Vice President News Press & Gazette Company
Jean Gayle Brown St. Joseph, Missouri	Executive Director St. Joseph YWCA
Mary Ann Cotter St. Joseph, Missouri	Realtor Coldwell Banker

- * Mr. Dillon resigned effective January 1, 2008 and was replaced by Jan Stallmeyer of Phoenix, Arizona. Ms. Stallmeyer is a manager for Schaller Anderson, Inc., a TPA ultimately controlled by Aetna, Inc.

As indicated above, the members of the Board of Directors of CHPIC are appointed by Heartland Health. Pursuant to Article V, Section A of its Articles of Corporation and Article 3.3 of its Bylaws, CHPIC's directors are to be appointed by its shareholders. As the ownership of CHPIC was transferred to CHP in 2005, it would therefore appear, that CHP should appoint the CHPIC directors rather than Heartland Health. However, since the same individuals are appointed to the CHPIC and CHP Board of Directors by Heartland Health, it would appear more appropriate for CHPIC to amend its Articles of Incorporation and Bylaws to either indicate that its directors shall be appointed by Heartland Health or that the directors of CHP shall also function as directors for CHPIC.

Pursuant to its Bylaws, the officers of the Company shall be a President (Chief Executive Officer), a Chief Operating Officer, a Secretary, a Treasurer (Chief Financial Officer), an Assistant Secretary, an Assistant Treasurer, and such other officers and assistant officers as may be deemed necessary. The officers elected and serving, as December 31, 2007 were as follows:

<u>Name</u>	<u>Title</u>
Lowell Charles Kruse	President & Chief Executive Officer
Curtis Andrew Kretzinger	Chief Operating Officer
John Paul Wilson	Secretary/Treasurer
Karen Eugenia Dittimore	Assistant Secretary
Douglas Martin Brandt	Assistant Treasurer

CHPIC's Bylaws specify the Company shall have the following committees: Executive, Financial/Membership and Provider Relationship/Quality Review. In addition, the Chairman of the Board of Directors may establish special committees as need. As of December 31, 2007, the only committees in operation were those specifically required by the Bylaws.

Conflict of Interest

The Company has procedures, which require all officers and directors complete a conflict of interest statement annually. Signed conflict of interest statements were reviewed for the examination period. No significant conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. The Bylaws were revised effective April 27, 2006. The changes consisted of some clarifications relating to election of directors, addition of language allowing the committees of CHP to act as the committees for CHPIC, expansion of the number of officers and clarification of officer duties.

The minutes of the Company's Board of Directors and the various committee meetings were reviewed, and in general, appear to properly reflect and approve the corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

Effective October 1, 2005, Heartland Health transferred its ownership interest in Community Health Plan Insurance Company to CHP. The transfer was affected by Heartland's contribution of all its 10,000 shares of its stock in CHPIC to CHP. No consideration was paid to Heartland Health in exchange for the CHPIC stock. As a result of this transfer, CHP became the direct parent of CHPIC with Heartland Health remaining the ultimate controlling entity.

Surplus Debentures

There were no surplus debentures issued or outstanding for the period under examination.

AFFILIATED COMPANIES

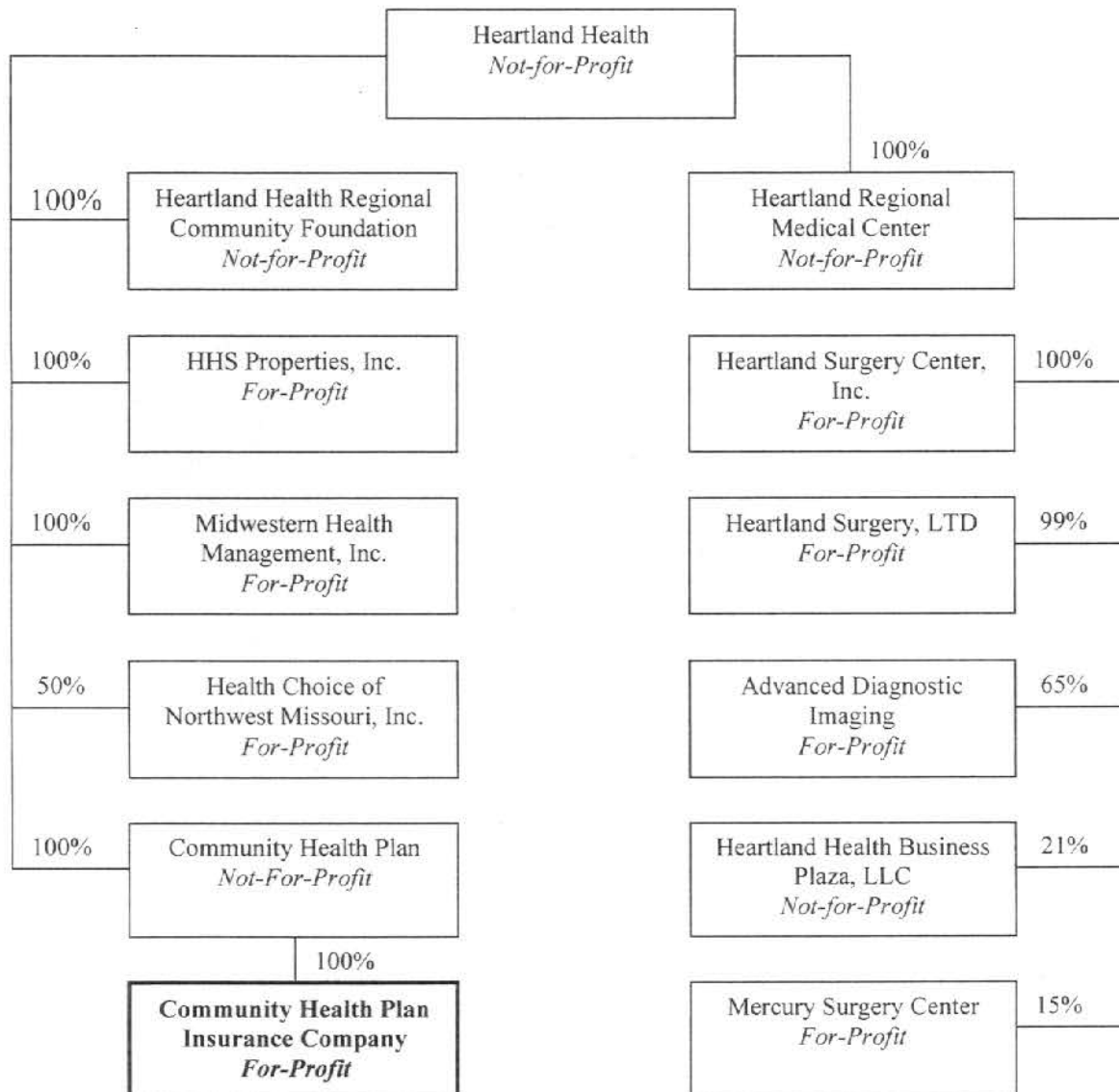
Holding Company, Subsidiaries and Affiliates

Community Health Plan Insurance Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). CHPIC is a wholly owned subsidiary of Community Health Plan. CHP is in turn wholly owned by Heartland Health, the ultimate controlling entity within the holding company system. Insurance Holding Company Registration Statements were filed by Heartland on behalf of CHPIC and CHP for the periods under examination.

Heartland Health is a Missouri not-for-profit and community-based health care organization located in St. Joseph, Missouri. The Heartland Health system is comprised of a hospital, Heartland Regional Medical Center (HRMC), and various other entities, all of which operate in, or are related to, the health care industry.

Organizational Chart

The following organizational chart depicts the holding company system including CHPIC as of December 31, 2007:



Intercompany Transactions

The Company was a party to various intercompany agreements as of December 31, 2007. These agreements are summarized as follows:

1. Type: Administrative Service and Network Access Agreement

Parties: CHPIC and CHP

Effective: July 1, 2003

Terms: CHP will provide administrative, management and support services to CHPIC. These services shall include: finance, accounting, information systems, marketing, purchasing and medical claims benefits. CHP shall also provide CHPIC with access to its network of contracted health care providers. For the provision of these services, CHPIC shall pay CHP a monthly fee equal to 14% of premiums received by CHPIC.

2. Type: Dual Option Product Agreement

Parties: CHPIC and CHP

Effective: January 1, 2004

Terms: CHPIC and CHP agree to offer a dual option health benefit program jointly to employer groups of 26 or more employees. CHP shall offer an HMO product and CHPIC shall offer a PPO product. The individual employees of each employer group shall elect which benefit program shall apply to them. Premiums shall be recorded by actuarially established rates on the books of each party, and medical expenses incurred under the dual option programs will be charged to the books of the respective company responsible for the benefit program selected by the employee. On a least a quarterly basis, the net income or net loss of each group under the dual option program will be computed and split equally between CHP and CHPIC.

3. Type: Administrative Services Allocation Agreement

Parties: CHPIC and HRMC

Effective: January 1, 2006

Terms: HRMC will pay certain pharmacy and transplant claims expense on behalf of CHPIC and establish an accounts payable account due from CHPIC through which it will accumulate cost. Monthly, HRMC will summarize the cost and CHPIC will reimburse 100% of the costs by the end of the following month.

4. Tax Allocation Agreement

Parties: CHPIC and CHP

Effective: For the tax periods commencing on or after October 1, 2005

Terms: CHP will file consolidated federal and state income tax returns on behalf of itself and CHPIC. Each affiliate will determine its tax liability or refund on a separate return basis. CHPIC will pay its tax liability to or receive its tax refund from CHP based on its separate return with settlement to occur quarterly.

5. Type: Consulting Psychiatry Agreement

Parties: CHP, CHPIC and HRMC

Effective: March 1, 2007

Terms: HRMC will provide an employed physician who will act as a consulting psychiatrist for CHP/CHPIC's Behavioral Health Program. The consultant shall perform all administrative supervisory and educational functions related to the Behavioral Health Program. CHP and CHPIC shall pay HRMC \$125 per hour for the consulting services, up to a maximum of \$12,000 annually.

6. Type: Guaranty Agreement

Parties: CHPIC and Heartland

Effective: July 1, 2007

Terms: Heartland unconditionally guarantees the full and prompt payment and performance of any amounts that CHPIC is obligated to pay on behalf of CHP in connection with the Continuation of Coverage Policy between CHPIC and CHP. The obligations under this agreement are absolute, unconditional and unlimited.

The amounts paid to and (received) from parent and affiliates during the years in the examination period were as follows:

	2007	2006	2005
Admin. Service & Network Access Agreement			
Paid to CHP	1,265,180	1,204,522	873,603
Dual Option Product Agreement			
Received from CHP	-	(962,622)	(323,045)
Admin. Services Allocation Agreement			
Paid to Heartland Regional Medical Center	1,332,185	2,305,981	N/A
Net amount (paid) or received	2,597,365	2,547,881	550,558

CHPIC is also a party to a Continuation of Coverage Policy and a HMO Excess of Loss Reinsurance Agreement with CHP. These agreements are discussed in greater detail in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime policy issued to Heartland Health. The policy provides coverage with a liability limit of \$1 million and a \$10,000 deductible. The crime coverage for Heartland and its subsidiaries on a consolidated basis meets the amount suggested in guidelines promulgated by the NAIC.

The Company is also a named insured on the following insurance policies issued to Heartland: Directors and Officers Liability, Excess Commercial General Liability and Umbrella Excess Commercial General Liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

CHPIC has no direct employees. Services are provided to the Company by employees of CHP in accordance with the provisions of the Administrative Services Agreement explained in greater detail in the Intercompany Transactions Section of this report.

CHP provides a variety of benefits to its employees, which include, but are not limited to, medical and dental coverage, vision coverage, life and accidental death and dismemberment coverage, paid vacation and sick leave and a 401(k) Retirement Plan.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2007, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Fair Value</u>
U.S. Treasury Bill	\$615,000	\$608,835	\$609,895

Deposits with Other States

CHPIC does not have funds on deposit with any other state.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

CHPIC is licensed in the State of Missouri under Chapter 376 RSMo (Life and Accident Insurance). The Company currently is not licensed in any other states. The Company's service area is concentrated in 27 counties located in northwestern Missouri.

The Company offers a group Preferred Provider Organization (PPO) plan in conjunction with the HMO products offered by its affiliate, Community Health Plan in accordance with the Dual Option Product Agreement discussed in greater detail in the Intercompany Transactions section of this report. The Company also offers a PPO product to individuals. The PPO plans are marketed by in-house agents who are employees of CHP and by independent agents and brokers. As of December 31, 2007, the Company provided benefits to 2,702 members.

Policy Forms & Underwriting

Advertising & Sales Material

Treatment of Policyholders

The Missouri DIFP has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. The Company has not been examined for market conduct activity to date. A cursory review was made of several market conduct related areas of the Company during the examination, and no problems were noted.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination were as follows:

Premiums	2007	2006	2005
Direct premiums written	\$ 7,155,768	\$ 10,016,990	\$ 7,299,828
Reinsurance assumed			
Affiliates	258,651	120,030	10,000
Non-affiliates	-	-	-
Reinsurance ceded			
Affiliates	-	-	-
Non-affiliates	(322,808)	(176,536)	(40,585)
Net premiums written	<u>\$ 7,091,611</u>	<u>\$ 9,960,484</u>	<u>\$ 7,269,243</u>

Assumed

The Company has a Continuation of Coverage Policy with its parent, CHP, effective July 1, 2007 through June 30, 2008. Under the terms of the agreement, CHPIC is to provide continuation of care coverage to CHP members in the event of CHP's insolvency. An annual premium of \$10,000 is charged under the agreement. Under a separate Guaranty Agreement between CHPIC and Heartland, Heartland unconditionally guarantees the full and prompt payment and performance of any amounts CHPIC is obligated to pay on behalf of CHP in connection with the Continuation of Coverage Policy.

CHPIC also has a HMO Excess of Loss Risk Agreement with CHP effective July 1, 2007 through June 30, 2008. Under the terms of this agreement, CHP cedes 90% of its eligible hospital and professional service claims subject to a \$150,000 retention to CHPIC. CHPIC's maximum liability is limited to \$1 million per member per agreement year with a maximum liability per covered member per lifetime of \$2 million. The amounts ceded to CHPIC under this agreement are retroceded to a non-affiliated reinsurer as described below in the Ceded section of this report.

Ceded

The Company is contingently liable for all reinsurance losses ceded or retroceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

CHPIC has a HMO Excess Risk Reinsurance Agreement effective July 1, 2007 through June 30, 2008 with Standard Security Life Insurance Company of New York (Standard). The retention and liability limits of this agreement mirror those of the HMO Excess Risk Reinsurance Agreement between CHPIC and CHP. Under the agreement, CHPIC cedes 90% of its eligible hospital and professional service claims subject to a \$150,000 retention. Standard's maximum liability is limited to \$1 million per member per agreement year with a maximum liability per covered member per lifetime of \$2 million.

ACCOUNTS AND RECORDS**Independent Auditor**

The Company's financial statements for the years ending December 31, 2005 and December 31, 2006, were audited by the CPA firm of BKD, LLP, Kansas City, Missouri. BKD was also retained to perform the year-end December 31, 2007 statutory audit. Audited statutory financial statements for 2007 had not been issued as of the completion of our examination fieldwork.

Independent Actuary

The Company's unpaid claim reserves were reviewed and certified by Richard Johnson, FSA, MAAA, of Pavidan Benefit Services, Inc. of Minneapolis, Minnesota, for each of the years under examination.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2007. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation).

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

Assets

	Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 1,123,900	\$ -	\$ 1,123,900
Common stocks	241,393	-	241,393
Cash, cash equivalents and short-term investments	2,245,794	-	2,245,794
Investment income due and accrued	10,054	-	10,054
Uncollected premiums and agents' balances	31,635	-	31,635
Net deferred tax asset	303,655	270,755	32,900
Healthcare and other amounts receivable	27,000	27,000	-
Total Assets	\$ 3,983,431	\$ 297,755	\$ 3,685,676

Liabilities, Surplus and Other Funds

Claims unpaid	\$ 1,248,337
Unpaid claims adjustment expense	38,000
Premiums received in advance	358,883
General expenses due or accrued	26,158
Current federal income taxes payable	211,358
Amounts due to parent, subsidiaries or affiliates	<u>59,893</u>
Total Liabilities	1,942,629
Common Capital Stock	600,000
Gross paid in and contributed surplus	1,500,000
Unassigned funds (surplus)	<u>(356,953)</u>
Total Capital and Surplus	<u>1,743,047</u>
Total Liabilities and Capital and Surplus	<u><u>\$ 3,685,676</u></u>

Summary of Operations

Net premium income	\$ 7,091,611
Total revenues	7,091,611
Hospital and Medical:	
Hospital/medical benefits	1,467,227
Other professional services	894,971
Outside referrals	978,100
Emergency room and out-of-area	247,885
Prescription drugs	1,064,801
Aggregate write-ins for other hospital and medical	
Outpatient	780,747
Net reinsurance recoveries	(89,369)
Total hospital and medical	5,344,362
Claims adjustment expense	160,000
General administrative expenses	1,164,458
Total underwriting deductions	6,668,820
Net underwriting gain or (loss)	422,791
Net investment gains (losses)	175,283
Net income or (loss) before income taxes	598,074
Federal income taxes incurred	200,076
Net income or (loss)	\$ 397,998

Capital and Surplus Account

Capital and surplus, December 31, 2006		\$ 1,272,380
Net income	\$ 397,998	
Change in unrealized capital gains	(25,174)	
Change in net deferred income tax	2,080	
Change in nonadmitted assets	(4,237)	
Surplus adjustments: Paid in	100,000	
		<hr/>
Net change in capital and surplus for the year		470,667
		<hr/>
Capital and surplus, December 31, 2007		\$ 1,743,047
		<hr/>

NOTES TO THE FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

None

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Management (page 6)

The members of the Board of Directors of CHPIC are appointed by Heartland Health. Pursuant to Article V, Section A of its Articles of Corporation and Article 3.3 of its Bylaws, CHPIC's directors are to be appointed by its shareholders. As the ownership of CHPIC was transferred to CHP in 2005, it would therefore appear, that CHP should appoint the CHPIC directors rather than Heartland Health. However, since the same individuals are appointed to the CHPIC and CHP Board of Directors by Heartland Health, it would appear more appropriate for CHPIC to amend its Articles of Incorporation and Bylaws to either indicate that its directors shall be appointed by Heartland Health or that the directors of CHP shall also function as directors for CHPIC.

ACKNOWLEDGMENT

The cooperation extended by the officers and the employees of Community Health Plan Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Barbara Bartlett, CPA, CFE, Steven Koonse, CFE and Angela Campbell, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri)
)
County of)

I, Mark Nance, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

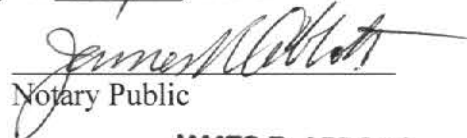


Mark Nance, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 23 day of July, 2008.

My commission expires:

08/08/08



Notary Public

JAMES R. ABBOTT
Notary Public - Notary Seal
STATE OF MISSOURI
Platte County
My Commission Expires Aug. 8, 2008



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in cursive script, reading "Vicki L. Denton", is written over a horizontal line.

Vicki L. Denton, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration

COMMUNITY HEALTH PLAN INSURANCE COMPANY

137 North Belt
Saint Joseph, Missouri 64506

August 25, 2008

Frederick Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
Missouri Department of Insurance, Financial Institutions, and Professional Registrations
301 West High Street, Room 530
Jefferson City, MO 65102-0690

Re: Examination Report from the Financial Exam of December 31, 2007

Dear Mr. Heese:

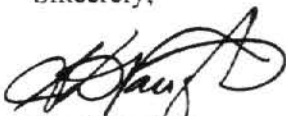
We have received the examination report and are herewith giving response to each item as follows. Note the comments are repeated (paraphrased) and the Community Health Plan Insurance Company (CHPIC) responses are in bold letters.

Management. Since the same individuals are appointed to the CHPIC and CHP Board of directors by Heartland Health, it would appear more appropriate for CHPIC to amend its Articles of Incorporation and Bylaws to either indicate that its directors shall be appointed by Heartland Health or that the directors of CHP shall also function as directors for CHPIC.

The Articles of Incorporation and Bylaws will be amended by CHPIC's legal counsel as suggested and filed with the Missouri Secretary of State and the Missouri Department of Insurance, Financial Institutions, and Professional Registrations.

Community Health Plan Insurance Company requests the above response be included in the final report as part of the public documents.

Sincerely,



Stan Vaughan
Finance Director

CC: Lowell C. Kruse, President and CEO
Linda S. Bahrke, Plan Administrator
R. Michael Cundiff, Compliance Coordinator
Dennis E. Carter, Finance Manager